

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6956

BILL NUMBER: SB 391

DATE PREPARED: Jan 6, 2002

BILL AMENDED:

SUBJECT: Construction in Process Assessment.

FISCAL ANALYST: Bob Sigalow

PHONE NUMBER: 232-9859

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides that the assessed value of certain personal property construction in process for the March 1, 2002, assessment date is 10% of cost.

Effective Date: January 1, 2002 (retroactive).

Explanation of State Expenditures:

Explanation of State Revenues: The State levies a small tax rate for State Fair and State Forestry. A \$146.3 M reduction in the assessed value base would reduce the property tax revenue for these two funds by about \$4,800 annually.

Explanation of Local Expenditures:

Explanation of Local Revenues: Under the former personal property assessment rules, *construction in process* (CIP) was assessed at 10% of cost through the March 1, 2001, assessment date. Under the new personal property assessment rules effective with the March 1, 2002, assessment date, CIP will be assessed at 87% of cost. This bill would set the assessment percentage of CIP back to 10% of cost for a taxpayer in Union Township, Whitley County, that will have more than \$190 M in cost of CIP on March 1, 2002.

A cost of \$190 M translates into an assessed value of \$19.0 M at 10% or \$165.3 M at 87%. This bill would result in an assessed value reduction of at least \$146.3 M (\$165.3 M new assessment less \$19.0 M old assessment). The AV reduction would cause an estimated tax shift of about \$2.3 M to \$3.3 M in CY 2003 from the CIP owner to all taxpayers in all classes that are served by the same taxing units as the CIP owner. This analysis assumes that the effect of the new real and personal property assessment rules will have on tax rates in this location will be the same as the estimated statewide effects.

Total local revenues, except for cumulative funds, would remain unchanged. The revenue for cumulative funds would be reduced by the product of the fund rate multiplied by the deduction amount applicable to that fund.

State Agencies Affected: Department of Local Government Finance (State Tax Board).

Local Agencies Affected: Whitley County and Union Township assessors.

Information Sources: Local Government Database.